

Strategic Adjustment: Assessing Risk Tradeoffs



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The Challenge



- ❧ Declining Budgets
- ❧ Rising Powers
 - ❧ China in Particular
- ❧ Exploding Personnel Costs
 - ❧ Health Care in Particular

Answers



❧ Retrench

- ❧ Though some would argue there are some positive sum options here.

❧ Refocus

- ❧ Pivot to Asia?

❧ Risk

- ❧ Accepting more or different kinds of risk.

Risk



- ❧ Each option is really about accepting different kinds of risk.
 - ❧ Geopolitical risk
 - ❧ Discouraging allies
 - ❧ Emboldening adversaries
 - ❧ Military risk
 - ❧ Personnel risk

Military Risk



- ❧ Assesses how costly military operations are likely to be.
 - ❧ Cost in lives
 - ❧ Cost in equipment
 - ❧ Cost in time
- ❧ Is our current level of military risk appropriate?

Diminishing Returns on Risk Mitigation



- ❧ U.S. military dominance is currently unparalleled. Manifests itself variously:
 - ❧ U.S. faces no peer competitors.
 - ❧ There are few (if any) plausible military missions that U.S. is incapable of accomplishing quickly and at low cost in lives and equipment.
 - ❧ We are now operating in a 99.99% uptime scenario. Can we afford to be in a 95%?

Costs of Overshooting Risk Mitigation



- ❧ Commitment to across-the-board qualitative superiority is prohibitively expensive and is driving an out of control requirements spiral.
 - ❧ U.S. is competing against itself.
- ❧ Military risk is so low that it encourages feckless uses of force.
- ❧ U.S. capacity/throughput is lower than predicted by expenditures.

Options for Adjustment



- ❧ Focus on most likely scenarios rather than worst case. Plan capability to deal with cases like Iran and North Korea rather than China.
 - ❧ Resultant force will be cheaper, but not noticeably less capable in those scenarios.
- ❧ Accept that U.S. military action will require more lead time in some cases.
- ❧ Plan for mobilization in cases of major conflicts.

The Rise of China



- ❧ China is United States' second biggest trading partner. In 1985, USSR was 29th.
- ❧ China relies on global commons as much as U.S.
- ❧ Plausible causes of conflict are quite limited.
- ❧ If major conflict does arise, it will not be won or lost by forces in being.
 - ❧ There is nothing equivalent to Soviet thrust to the Atlantic to transform conflict quickly.

Health Care



- ❧ Either we fix it or we don't.
- ❧ If we don't, then no amount of strategic innovation solves the problem.

Restraint



- ❧ There are also opportunities for U.S. position rather than merely threats.
- ❧ Globalization, democratization, rise of new potential partners like India, Indonesia, and Brazil make plausible a U.S. posture based on enabling allies rather than providing public goods directly.
- ❧ But we should adjust out of desire to secure benefits, not because of supposed demands of austerity.

Conclusions



- ❧ America's strategic challenges are largely a function of unexplored assumptions about risk.
- ❧ By accepting relatively small amounts of additional military and personnel risk, U.S. can limit the need for hasty resource-driven retrenchment.
- ❧ There are, however, compelling affirmative reasons for greater restraint.